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THE CROW'S NEST PASS COAL COMPANY, LIMITED

FERNIE, BRITISH COLUMBIA

(ESTABLISHED 1897)

SIXTY - SEVENTH **ANNUAL REPORT**

FOR THE YEAR ENDED
DECEMBER 31st, 1963





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B.A. Oil - Crow's Nest Seismic Crew in Fernie Basin, 1963



THE CROW'S NEST PASS COAL COMPANY, LIMITED

*Head Office,
Fernie, B.C.*



Board of Directors

T. F. GLEED
T. G. EWART
C. A. ECKART
C. O. JENKS

H. C. JUDD
*C. H. KREIENBAUM
†J. W. PITTS
F. D. PRATT

D. E. SKINNER

Officers

THOMAS F. GLEED	-----	Chairman
T. G. EWART	-----	President
F. D. PRATT	-----	First Vice-President
C. A. ECKART	-----	Second Vice-President
W. R. PRENTICE	-----	Secretary
J. F. CLEEVE	-----	Treasurer
J. E. MORRIS	-----	Resident Manager

Auditors

CLARKSON, GORDON & Co.
Calgary, Alberta

Transfer Agents

CANADA PERMANENT TRUST COMPANY
Toronto, Ont.

BANKERS TRUST COMPANY
New York, N.Y.

Registrars

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ont.

MANUFACTURERS HANOVER TRUST COMPANY
New York, N.Y.

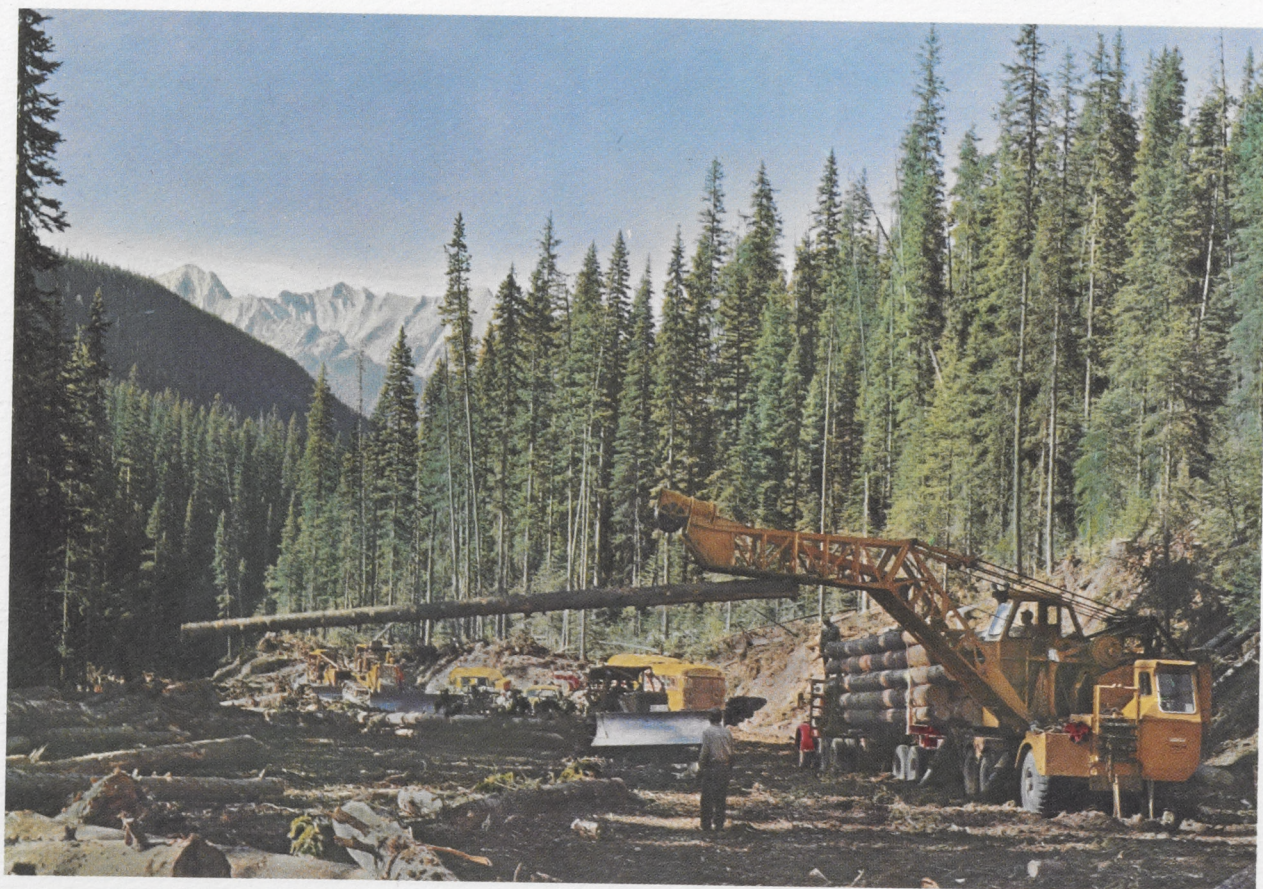
*Resigned September 16, 1963.

†Appointed September 16, 1963.

COVER PICTURE
Coal and Coke awaiting
shipment to customers.



B.A. Oil - Crow's Nest Seismic Crew in Fernie Basin, 1963



Logging Operations in Line Creek

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THE CROW'S NEST PASS COAL COMPANY, LIMITED

REPORT TO THE SHAREHOLDERS

Fernie, British Columbia,
March 30, 1964.

We submit herewith the sixty-seventh Annual Report of your Company for the year ended December 31, 1963, together with Balance Sheet and Statement of Profit and Loss and Earned Surplus certified by your Auditors, Clarkson, Gordon & Co. For ease of comparison, figures showing the results for 1962 have been included in these statements. A further statement shows the source and application of funds accruing to this company during the year.

INCOME

The consolidated net profit for the year after provision for taxes, depletion and depreciation was \$720,389, which is an increase of \$212,012 from the previous year. The profit for the year 1963 is equivalent to \$0.93 per share on the \$8.00 par value shares of the company.

DIVIDENDS

Distributions to shareholders during 1963 were equivalent to \$0.75 per share on the \$8.00 par value shares of the Company.

DEPLETION ALLOWANCE

We are informed that under the Income Tax Act, shareholders residing in Canada may not deduct any percentage of the dividends declared and paid in 1963 on account of depletion in computing their Income Tax Returns. Following representations, income tax officials have now agreed that a 10% depletion allowance will be granted in respect of dividends paid in 1962 and Canadian shareholders desiring adjustment of their 1962 Income Tax Returns to give effect to this depletion allowance should make their requests in writing to the District Taxation Office concerned.

INVESTMENTS

Your Company, as of the close of business on December 31, 1963 had investments of \$196,000 in Dominion of Canada bonds at varying maturity dates.

Shares of other companies as shown on the Balance Sheet consist of 78,700 shares of the common stock of The Calgary & Edmonton Corporation Limited and 60,000 shares of the common stock of The Granby Mining Company Limited. Subsequent to December 31, 1963 your Company sold its shares in The Granby Mining Company Limited for \$987,169, which sale resulted in a profit of \$566,840. The Directors of The Calgary & Edmonton Corporation Limited and Canadian Superior

THE CROW'S NEST PASS COAL COMPANY, LIMITED

Oil Ltd. jointly announced on February 22, 1964 that negotiations are under way with a view to Canadian Superior making an offer to the shareholders of The Calgary & Edmonton Corporation Limited to acquire all outstanding shares of the latter corporation in exchange for shares of Canadian Superior Oil Ltd. on the basis of some equitable share exchange formula to be negotiated by the separate Boards of Directors of the two companies.

CAPITAL EXPENDITURES

The net capital expenditure made by your company and its wholly-owned subsidiaries during the year amounted to \$510,306. Expenditures were incurred primarily for the acquisition of another mechanized coal mining unit, the construction of a Blending Plant for our by-product coke department, and the extension of our planer and installation of auxiliary equipment necessitated by the expansion of our lumber and timber output.

PRODUCTION

Coal mined amounted to 756,284 tons as compared with 732,789 tons in 1962. Coke produced amounted to 134,370 tons as compared with 136,124 tons in 1962. Lumber sawn amounted to 17,435,569 FBM as compared with 15,463,727 FBM in 1962. Oil production was 230,492 bbls. as compared with 224,314 bbls. in 1962.

MARKETS

Sales of coal during 1963 increased approximately 5% compared with the previous year. The Dominion Government has approved a long-term subvention policy for coal sales to Japan and your Company has entered into sales contracts in the Japanese market for increased tonnages for the three years commencing April 1, 1964. Coke sales during the year showed a modest decrease, and it is anticipated that sales of coke will be approximately the same in 1964. Lumber sales increased considerably in 1963 over previous years, and it is expected that this trend will continue in 1964.

During the year, it became desirable for the Company to have its own trading company to handle its products and sales in Japan, and such other commodities as might be available and attractive. As a result, The Transpacific Export Corporation of Seattle, Washington, U.S.A., a wholly-owned subsidiary, was appointed export agents of the Company, and it is gratifying to note that its officers have been well received by our Japanese customers.

OIL DEPARTMENT

Attached to the financial statements is a statistical summary of the oil and gas operations of the Company and its wholly-owned subsidiary. This statement also shows annual income from oil and gas operations from inception to 1963.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

The Company did not participate in the acquisition of oil and gas lands during the year. Exploration and development work was on a reduced scale; however, your Company maintained an active interest in appraising the Fernie Basin, and in conjunction with The British American Oil Company Limited arranged for further seismic work to be carried out in the area. The geology of the district and the seismic information is being studied thoroughly.

EMPLOYEES

Under the wage agreement between District 18, United Mine Workers of America and this Company, which became effective July 3, 1962, wage rates were increased on July 3, 1963. As part of the same wage agreement, a formal group life and weekly indemnity insurance plan was instituted on January 1, 1963. This plan, which is contributory, generally follows established practice.

With your Company placing increased emphasis on mechanical mining, both engineering and geological personnel were strengthened in 1963.

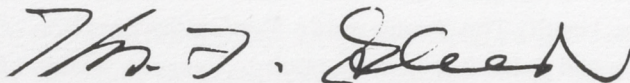
ARBITRATION RE NATURAL GAS PIPELINE

Your Company is considering the effects of adverse occupancy by a high-pressure natural gas pipeline over the McGillivray Basin on Company lands. The question of the determination of the extent of the loss in coal land values and injurious affection suffered by the Company by reason of the presence of the pipeline will be submitted for arbitration in the near future.

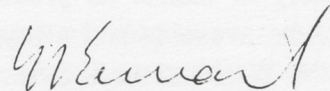
CONCLUSION

All plants and equipment are being well maintained.

By order of the Board of Directors.



Chairman.



President.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

AUDITORS' REPORT

To the Shareholders of

The Crow's Nest Pass Coal Company, Limited.

We have examined the consolidated balance sheet of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies as at December 31, 1963 and the consolidated statement of profit and loss and earned surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies at December 31, 1963 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,

Chartered Accountants.

Calgary, Alberta.

February 26, 1964.

THE CROW'S NEST PASS CO

(Incorporated under the laws of the Province of Ontario)

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1963

(with comparative figures for 1962)

ASSETS

CURRENT:	1963	1962
Cash	\$ 764,967	\$ 912,100
Government of Canada bonds at cost, market value \$189,770 (1962 - \$188,017)	195,864	195,828
Accounts receivable	1,152,853	957,298
Accrued interest receivable	1,818	2,544
Inventories valued at the lower of cost or market	1,110,283	1,043,301
Prepaid expenses	79,426	34,940
Total current assets	<u>\$ 3,305,211</u>	<u>\$ 3,146,011</u>
INVESTMENTS AT COST (Note 3):		
Market value \$2,347,087 (1962 - \$2,533,125)	<u>\$ 1,887,984</u>	<u>\$ 1,605,221</u>
FIXED—(Note 2):		
Mines, real estate, plant and equipment less accumulated depreciation of \$12,497,657 (1962 - \$12,159,894)	\$ 4,639,240	\$ 4,784,853
Petroleum and natural gas interests—		
Acquisition cost of properties less depletion of \$183,779 (1962 - \$121,311)	1,071,166	1,133,634
Production equipment less accumulated depreciation of \$554,134 (1962 - \$496,487)	601,090	656,904
Productive development costs, \$2,062,334 (1962 - \$2,033,609) less amounts written off	1	1
	<u>\$ 6,311,497</u>	<u>\$ 6,575,392</u>
OTHER:		
Mortgages receivable	\$ 56,254	\$ 23,909
Refundable deposits	95,792	123,806
Deferred strip mining expenses	123,046	256,807
	<u>\$ 275,092</u>	<u>\$ 404,522</u>
	<u><u>\$11,779,784</u></u>	<u><u>\$11,731,146</u></u>

See accompanying notes to consolidated financial statements.

SS COAL COMPANY, LIMITED

(under the laws of Canada)

ED SUBSIDIARY COMPANIES

ED BALANCE SHEET

mber 31, 1963

(comparative figures for 1962)

LIABILITIES

CURRENT:

	1963	1962
Accounts payable and accrued charges	\$ 485,940	\$ 657,182
Income and other taxes payable	395,997	290,054
Instalments of loans payable due within one year	313,333	150,000

Total current liabilities	\$ 1,195,270	\$ 1,097,236
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LOANS PAYABLE (Note 4)	\$ 704,138	\$ 300,000
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ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 5)	\$ 836,183	\$ 744,480
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SHAREHOLDERS' EQUITY:

Capital (Note 6) —

Authorized—1,250,000 shares of \$8 par value each

Issued — 777,170 shares (1962 - 777,100 shares)	\$ 6,218,227	\$ 6,217,667
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Paid-in surplus	3,475	3,125
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Surplus allocated for emergency and capital expenditures	1,200,000	1,200,000
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Earned surplus	2,397,975	2,227,089
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	\$ 9,819,677	\$ 9,647,881
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Less shares of parent owned by subsidiary at cost (1963 - 62,050 shares; 1962 - 8,500 shares)	775,484	58,451
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	\$ 9,044,193	\$ 9,589,430
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On behalf of the Board:

T. F. GLEED, Director.

F. D. PRATT, Director.

\$11,779,784

\$11,731,146

THE CROW'S NEST PASS COAL COMPANY, LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss and Earned Surplus

FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for 1962)

	1963	1962
Operating profit before the following deductions -----	\$ 2,178,860	\$ 2,193,436
Executive Officers' salaries -----	\$ 83,800	\$ 79,133
Counsel and legal fees -----	24,495	14,949
Directors' fees -----	12,000	10,000
Depreciation and depletion -----	773,931	744,580
Exploration and development expenditures written off -----	66,665	298,936
	<u>\$ 960,891</u>	<u>\$ 1,147,598</u>
Operating profit -----	\$ 1,217,969	\$ 1,045,838
Interest, dividends and other income -----	52,080	17,124
Profit before income taxes -----	\$ 1,270,049	\$ 1,062,962
Income taxes (Note 5) -----	549,660	554,585
Net profit for the year -----	\$ 720,389	\$ 508,377
Earned surplus, beginning of year -----	2,227,089	2,179,863
	<u>\$ 2,947,478</u>	<u>\$ 2,688,240</u>
Less dividends declared -----	549,503	461,151
Earned surplus, end of year -----	<u>\$ 2,397,975</u>	<u>\$ 2,227,089</u>

Statement of Paid-In Surplus

Balance, beginning of year -----	\$ 3,125	\$ 1,875
Excess of proceeds of sales of shares during the year over par value thereof ----	350	1,250
Balance, end of year -----	<u>\$ 3,475</u>	<u>\$ 3,125</u>

See accompanying notes to consolidated financial statements.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1963

SOURCE OF FUNDS:

Operations—

Net profit for the year	\$ 720,389	
Depreciation and depletion	773,931	
Reduction in deferred strip mining expenses	133,761	\$ 1,628,081

Deposits refunded	\$ 28,014	
Coal Production Assistance Act loan	100,000	
Bank loans	715,695	
Income tax reductions applicable to future years	91,703	
Exercise of common share options	910	936,322
		<u>\$ 2,564,403</u>

APPLICATION OF FUNDS:

Expenditures on plant and equipment (net)	\$ 510,036	
Repayments and current maturities of loans payable	411,557	
Mortgage advances (net)	32,345	
Purchase of shares of other companies	282,763	
Purchase of shares of parent company	717,033	
Dividends to shareholders	549,503	2,503,237

Increase in working capital		<u>\$ 61,166</u>
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THE CROW'S NEST PASS COAL COMPANY, LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

DECEMBER 31, 1963

1. Basis of Consolidation:

The consolidated financial statements for the year ended December 31, 1963 include the accounts of the Company and its wholly-owned subsidiaries, The Crow's Nest Pass Oil and Gas Company, Limited, The Crow's Nest Pass Electric Light & Power Company, Limited, Morrissey, Fernie & Michel Railway Company and The Transpacific Export Corporation, a United States company. The accounts of the United States subsidiary have been converted into Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect on December 31, 1963; fixed assets at the rate of exchange in effect on the transaction date, and income and expenses at the average rate in effect throughout the period.

2. Accounting practices:

The companies follow the practice of capitalizing the acquisition costs of oil properties and of charging exploration expenses, carrying charges on properties and the drilling costs of wells against income as incurred. Expenditures on productive wells during 1963 were not material in amount. Depletion of productive oil properties is provided on the unit of production method based on estimated reserves of oil and gas.

Based on the Company's estimate of recoverable reserves of coal, a charge for depletion would be immaterial in amount and accordingly no provision for depletion of coal properties is included in the accounts.

Depreciation of fixed assets is provided on the reducing balance method at rates designed to amortize the costs of these assets over their estimated useful lives.

3. Investments:

Subsequent to December 31, 1963, the Company's investment in shares of The Granby Mining Company Limited, acquired at a cost of \$420,329, was disposed of for \$987,169 cash.

4. Loans payable:

3% Coal Production Assistance Act loan -----	\$ 300,000
4% Coal Production Assistance Act loan -----	100,000
5% bank loans -----	617,471
	<hr/>
	\$ 1,017,471
Less instalments due within one year included in current liabilities -----	313,333
	<hr/>
	\$ 704,138

The Coal Production Assistance Act loans are secured by chattel mortgages on certain of the Company's mining assets and by the hypothecation of \$175,000 Government of Canada bonds and are repayable at 30c per ton of coal produced from certain mines with minimum annual payments of \$183,333.

The bank loans are payable in monthly instalments by a subsidiary company and are secured by the hypothecation of 62,050 shares of the parent company owned by the subsidiary and by the assignment of the subsidiary company's interests in certain producing oil and gas properties.

5. Income taxes:

The income taxes payable in respect of 1963 amount to \$457,957. The difference of \$91,703 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation charged in the companies' accounts. This difference is applicable to those future years in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated tax reductions applicable to future years."

6. Capital stock:

24,305 shares of the Company's capital stock have been reserved under a stock option plan. Options have been granted under the plan to officers of the Company to purchase 16,555 shares of capital stock at prices ranging from \$12.00 to \$20.00 per share. The options are exercisable in annual instalments on a cumulative basis while in the employ of the Company.

During the year 70 shares of a par value of \$8 each were issued on exercise of a stock option for a cash consideration of \$910. Of this amount, \$560 was credited to share capital account and the balance to paid-in surplus.

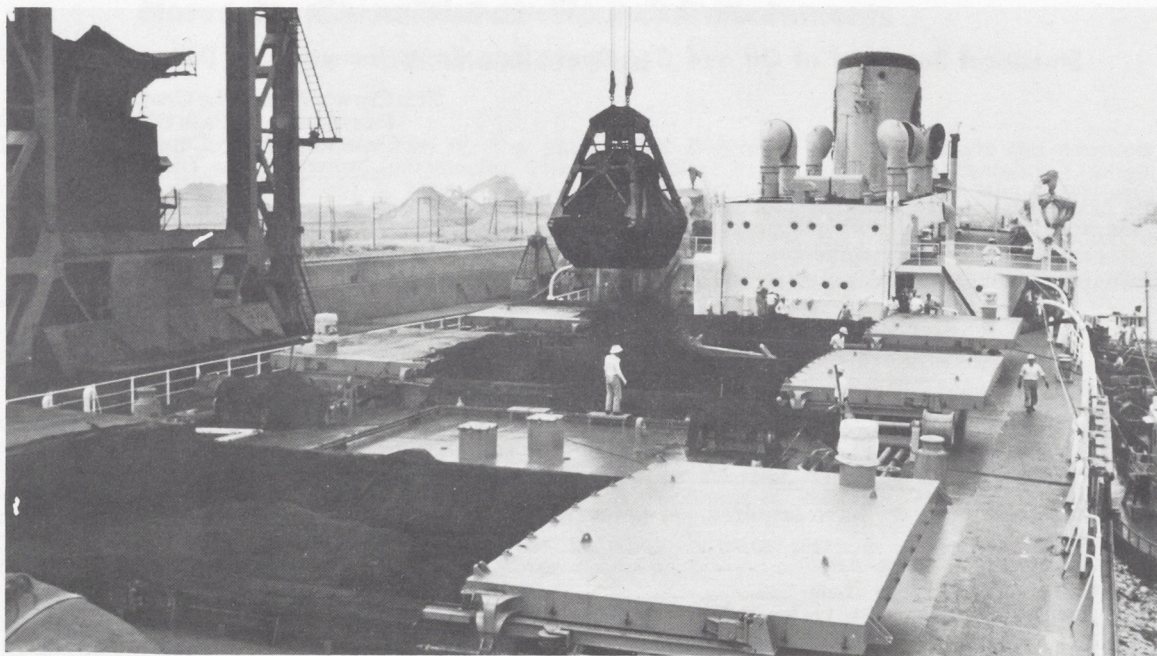
During the year, the Crow's Nest Pass Oil and Gas Company, Limited, a wholly-owned subsidiary, purchased 53,550 shares of its parent company from United States shareholders for a cash consideration of \$717,033. Bank loans totalling \$617,471 were owing at December 31, 1963 by the subsidiary company in connection with the purchase of these shares (see Note 4).

THE CROW'S NEST PASS COAL COMPANY, LIMITED
AND
THE CROW'S NEST PASS OIL & GAS COMPANY, LIMITED
(WHOLLY-OWNED SUBSIDIARY)

Statistical Summary of Oil and Gas Operations From Inception to December 31, 1963

	The Crow's Nest Pass Coal Company, Limited	The Crow's Nest Pass Oil & Gas Company, Limited	Total
We have expended to December 31, 1963—			
On acquisition of oil and gas properties	\$ 1,240,494	\$ 14,451	\$ 1,254,945
On drilling and development	1,564,047	1,082,358	2,646,405
On plant and equipment	809,968	345,255	1,155,223
	<u>\$ 3,614,509</u>	<u>\$ 1,442,064</u>	<u>\$ 5,056,573</u>
Balance of plant and equipment available for capital cost allowance under the Income Tax Act	\$ 175,387	\$ 52,591	\$ 227,978
Balance of drilling and development available for write-off under the Income Tax Act	nil	12,454	12,454
For this expenditure we have acquired net percentage interests as shown:			
Pembina-Buck Lake Area190 wells	2.953 %	3.375 %	6.328 %
Pembina-Buck Lake Area 5 wells	1.969 %	2.250 %	4.219 %
Section 13 Buck Creek Unit 8 wells	10. %		10. %
Minnehik Gas Unit 5 wells	1.6398 %	1.8759 %	3.5157 %
North Pembina Cardium Unit No. 1	0.14188%		0.14188%
Burbank Joffre Area Viking Unit 49 wells	4.569 %		4.569 %
Nisku D2 1 well	15. %		15. %
	20. %		20. %
Nevis Gas Unit 11 wells	0.6921 %		0.6921 %
Stettler Unit 78 wells		0.2535 %	0.2535 %
Swan Hills Unit	0.194 %		0.194 %
Alhambra 2 wells	6.666 %		6.666 %
Various holdings of undeveloped and non-producing properties			
Our original drilled reserves (as estimated by our associates in oil operations) were	bbls. 4,541,900	bbls. 3,297,829	bbls. 7,839,729
Recovered to date	1,426,439	883,146	2,309,585
Balance of reserves at December 31, 1963	<u>3,115,461</u>	<u>2,414,683</u>	<u>5,530,144</u>
Our Net Income after deduction of operating expenses but before write-off of drilling and development, depletion and depreciation amounted to:			
1955 and prior	\$ 132,546	\$ 165,338	\$ 297,884
1956	321,036	290,031	611,067
1957	348,536	219,168	567,704
1958	312,995	166,221	479,216
1959	294,863	163,901	458,764
1960	319,487	146,415	465,902
1961	333,266	158,881	492,147
1962	300,555	149,261	449,816
1963	328,378	154,987	483,365
	<u>\$ 2,691,662</u>	<u>\$ 1,614,203</u>	<u>\$ 4,305,865</u>

THE CROW'S NEST PASS COAL COMPANY, LIMITED







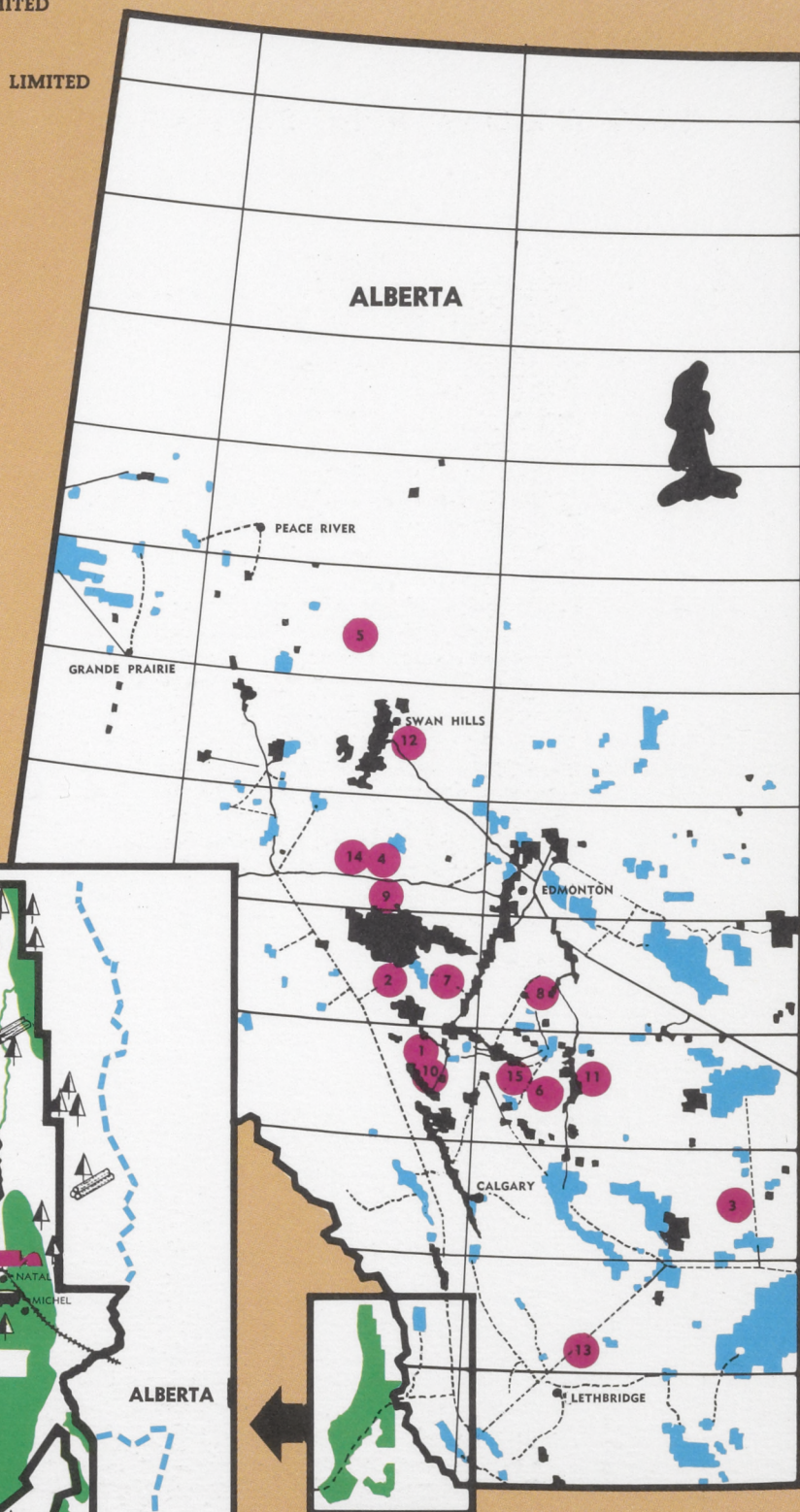
Michel coal being unloaded and stockpiled in Japan



THE CROW'S NEST PASS COAL COMPANY, LIMITED
AND
THE CROW'S NEST PASS OIL AND GAS COMPANY, LIMITED
ALBERTA HOLDINGS

- 1 ALHAMBRA
- 2 BUCK LAKE
- 3 CHINOOK
- 4 CHIP LAKE
- 5 DRIFTPILE
- 6 MAYTON (OLDS)
- 7 MINNEHIK GAS
- 8 NEVIS GAS UNIT
- 9 NORTH PEMBINA
- 10 RAVEN
- 11 STETTLER UNIT
- 12 SWAN HILLS UNIT
- 13 TURIN
- 14 BETA LAKE
- 15 JOFFRE

-  GAS FIELDS
-  OIL FIELDS
-  OIL PIPELINES
-  GAS PIPELINES



PROPERTY MAP
OF
THE CROW'S NEST PASS
COAL COMPANY, LIMITED

LEGEND

-  Boundary of Lands
-  Area Underlain by Coal Measures
-  Logging Operations
-  Coal Operations
-  Saw Mill
-  Timber Reserves 236,788.26 Acr.



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